

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Amvest Oil & Gas, Inc.  
for Forced Pooling of Interest in a Drilling Unit  
Affected by Well Number G-14 in  
Wise County, Virginia

This cause came on this 5th day of September, 1990, upon the application of Amvest Oil & Gas, Inc. and requesting that this Board pool the interests of well operators in the 112.69-acre drilling unit established for Well G-14, VGOB-95-5 in Wise County, Virginia Well Work Permit Number 1457. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given to each well operator of record having an interest in the oil and gas underlying the tracts within the drilling unit covered hereby as required by Section 45.1-304, Code of Virginia, 1950 as amended. The Board examined the Notice as given and further conducted inquiry into the sufficiency of Amvest Oil & Gas, Inc. search to determine the names and whereabouts of well operators who may be affected by the pooling of oil and gas interests in the drilling unit involved herein. The Board finds that Amvest Oil & Gas, Inc. has exercised due diligence and has conducted a meaningful search of reasonably available sources at hand. The Board hereby approves the notice given, by publication and otherwise, as meeting the statutory requirements, rules of the Board and minimum standards of state and federal due process, and finds that notice has been given in all respects as required by law and the rules of this Board.

Based upon the evidence presented, the Board finds that Amvest Oil & Gas, Inc. has acquired oil and gas leasehold interests in the drilling unit as described in the map, which is attached hereto as Exhibit "A" and made a part hereof, and has the right to conduct operations on its oil and gas leasehold interests. Based on the evidence presented, the Board finds that the following named persons are owners of oil and gas interests which are not subject to any oil and gas lease and who have not voluntarily agreed to pool their interests in the drilling unit involved herein for its development and operations:

- 1) Glamorgan Coal Corporation, P. O. Box 3237, Wise, Virginia 24293;
- 2) Lloyd Dale, P. O. Box 1713, Wise, Virginia 24293;
- 3) Curt William Dale, P. O. Box 1272, Wise, Virginia 24293;
- 4) Rita Jo Harris Lozier, 1280 Ember Court, Marco Island, Florida 33937;
- 5) Sarah Elizabeth Fugate, P. O. Box 472, Abingdon, VA 24210;
- 6) Curtis W. Bishop, P. O. Box 63, Wise, Virginia 24293;
- 7) Paul Smith, Last Address - Unknown;
- 8) Ed Ray and Madeline Smith, Last Address - Unknown;
- 9) Otis and Ella Smith, Last Address - Unknown;
- 10) Ben Arnold and Fay Franklin, Last Address - Unknown;

Based upon the evidence presented, the Board finds that, in order to avoid the drilling of unnecessary wells, prevent the various types of waste of oil and gas and protect the correlative rights of all well operators with respect to the pools in the drilling unit involved herein, the well operators involved who have not heretofore reached an agreement with respect to development and operation of the drilling unit covered hereby shall be required to pool their oil and gas interests and develop the pools in this drilling unit, upon the terms and conditions set out in this order, all of which terms and conditions are found, after consideration



of the evidence presented in this cause, to be supported by substantial evidence and to be just, reasonable and equitable and such as will afford each operator in this unit the opportunity to recover or receive each such well operator's just and equitable share of production from this unit.

Based upon the evidence presented at the public hearing in this matter, the Virginia Gas and Oil Board orders as follows:

(1) The oil and gas interests of well operators, as named above, in this 112.69 acre drilling unit established in the lands involved herein for Well G-14, VGOB-95-5 are hereby pooled for the development and operation of this unit. Amvest Oil & Gas, Inc. is hereby authorized to drill, complete and operate a well in this drilling unit so as to produce oil and gas from the pooled acreage, consistent with the terms and provisions of its applicable well work permit.

(2) Each well operator involved herein, other than, Amvest Oil & Gas, Inc. shall, within 30 calendar days after the date of mailing this Order, deliver to Amvest Oil & Gas, Inc., 2537 Fourth Avenue, East, Big Stone Gap, Virginia 24219, a written election either to participate in the operation of the well covered hereby or to exercise such well operator's right of election under this order as described below. A timely election shall be deemed to have been made if a well operator on or before the last day of such 30 calendar day period has sent such written election by telegram or telegraph to Amvest Oil & Gas, Inc. at the address set forth above or has had such written election duly postmarked and has

placed such written election in the United States mail, first class, postage prepaid, duly addressed to Amvest Oil & Gas, Inc., 2537 Fourth Avenue, East, Big Stone Gap, Virginia 24219. The alternatives afforded to the well operators of oil and gas interests herein pooled are set forth in either A or B, below, whichever is applicable.

(A) Each well operator herein pooled owning an oil and gas interest in any tract in the drilling unit involved herein which interest is not subject to an oil and gas lease is hereby accorded the following options as to such interests:

(i) Participation: To participate in the working interest in and the development of Well G-14 and VGOB-95-5 in the drilling unit involved agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging, and abandoning of the well covered hereby and by paying as set forth herein, to Amvest Oil & Gas, Inc., such owner's proportionate part of the \$306,325 estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby, or in lieu of such payment, furnishing to Amvest Oil & Gas, Inc. security satisfactory to Amvest Oil & Gas, Inc. for the payment thereof within thirty (30) calendar days of the date of this Order, such participating well operator's proportionate part of the cost of, and of the production from, such well to be in the proportion that the number of net mineral acres in this unit covered by the oil and gas rights owned



by such party bears to the entire number of mineral acres in this unit; or

(ii) Cash Consideration: In lieu of participating in the working interests in and the development of the pools in the drilling unit involved herein, to elect to receive a sum of ONE DOLLAR (\$1.00) per net mineral acre owned by such owner, plus a total royalty in the amount of one-eighth of eight eighths ( $1/8$  of  $8/8$ ths) of the oil, casinghead gas, gas and gas condensate produced from the well covered by this Order, the same to be delivered into the lease tanks or into the pipelines to which such well is connected, free and clear of all costs, expenses and risks incurred in or in connection with drilling, equipping, operating, completing, plugging and abandoning of such well. Any well operator electing this option shall deliver under this Order a net revenue interest of 87.50% of  $8/8$ ths of the oil, casinghead gas, gas and gas condensate produced from the well covered by this Order, with such net revenue interest being determined by deducting from such owner's share of production the royalty provided for immediately above; and provided further, that such royalty of  $1/8$  of  $8/8$ ths and such net revenue interest of 87.50% of  $8/8$ ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the drilling unit covered by the oil and gas rights owned by such well operator bears to the entire number of mineral acres in this unit; or

(iii) Carried Interest: In lieu of participating in the working interest in and the development of the pools in the drilling unit

involved herein as set forth in subparagraph (i) above, or electing the option set forth in subparagraph (ii) above, to elect to share in the operation of the well covered hereby on a carried basis (as a carried well operator) so that the proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's share of production from such well and that all of such carried well operator's oil and gas rights in the pools in the drilling unit involved herein are relinquished under this Order to Amvest Oil & Gas, Inc. until the proceeds from the sale of the share of production from the well accruing to such carried well operator's unleased oil and gas interest in the drilling unit involved herein, equals two hundred percent (200%) of the share of the cost of drilling and completing the well covered hereby allocable to the unleased oil and gas interest of such carried well operator, plus one hundred percent (100%) of the share of the cost of surface equipment beyond the wellhead connection of such well allocable to the unleased oil and gas interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the costs of operating such well allocable to such carried well operator. Such carried operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the unleased oil and gas interest owned by such carried well operators bears to the entire number of net mineral acres in



this unit. During the period of time, Amvest Oil & Gas, Inc. is entitled to receive such carried well operator's share of production or the proceeds therefrom, Amvest Oil & Gas, Inc. shall pay all applicable production, severance, excise, gathering and any other taxes based upon or measured by the value or amount of production.

Within sixty (60) days after completion of the well covered hereby, Amvest Oil & Gas, Inc. shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and each month thereafter, during the time Amvest Oil & Gas, Inc. is being reimbursed as provided above, Amvest Oil & Gas, Inc. shall furnish to such carried well operator, an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of oil and gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried well operators' unleased oil and as interests in such unit during the preceding month. Amvest Oil & Gas, Inc. shall also furnish to the State Gas and Oil Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or other disposition of the equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by the carried well operator, had such owner participated therein as a

participating well operator, shall be credited against the total unrecovered well costs in determining when the interest of such carried well operator shall revert to such owner as described above. When Amvest Oil & Gas, Inc. recovers from such carried well operator's relinquished interest, the amount provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion, such carried well operator shall be treated as a participating well operator and shall own the same interest in such well, the material and equipment in or pertaining thereto and the production therefrom, as such owner would have been entitled to had such owner participated initially as a participating well operator in the drilling, completing and equipping of such well, and thereafter, such owner shall be charged with and shall pay such owner's proportionate part of the further costs of the operation of such well.

(3) In the event a well operator, who is subject to the provisions of this Order shall fail to timely and properly elect, in writing, one of the applicable options as set forth above, such well operator shall be deemed to have elected not to participate in the working interest in the well covered hereby as to the pools involved herein and shall be deemed a carried well operator. In the event a well operator, who is subject to the provisions of this Order shall elect to act as a participating well operator under (2)A.(i) above, but thereafter fail or refuse to pay or secure the payment of such well operator's proportionate part of the cost of



the well covered hereby as set forth in such provisions, such election to act as a participating operator under this Order shall be null and void and such well operator shall become a carried well operator consistent with the terms and provisions of this Order.

(4) Any well operator involved herein who has not appeared in response to the notice of hearing published pursuant to the provisions of Section 45.1-304, Code of Virginia, 1950, as amended, and whose identity or whereabouts remains unknown at the conclusion of the hearing conducted in this matter shall be deemed to have elected not to become a participating well operator, but shall be deemed to have elected to be a carried well operator. Such carried well operator's share of proceeds under the provisions of this Order, after the payment therefrom of all well costs properly allocable thereto consistent with the provisions of this Order, shall be paid to the Virginia Gas and Oil Board and Treasurer of Virginia and held in a separate escrow account for such carried well operator's benefit. Such carried well operator's share of proceeds shall be deemed unclaimed property and shall be disposed of as provided in The Uniform Disposition of Unclaimed Property Act, Section 55-210.1, et seq., Code of Virginia, 1950 as amended. The State Gas and Oil Inspector shall receive any such funds and administer these designated accounts.

(5) Any cash bonus which becomes payable by Amvest Oil & Gas, Inc. under the provisions of 2(A).(ii), above, shall be paid or tendered within thirty (30) days after the date of this Order; provided, however, if the owner entitled to such funds releases

the same, or if such owner's interest in the unit involved in this cause has a defect or cloud in the title thereto, or if such owner cannot be paid such funds for any reason whatsoever other than the reasons set forth in paragraph (4) above. Amvest Oil & Gas, Inc. may deposit (credit) such funds due such party into an internal escrow account established in the accounting records of Amvest Oil and Gas, Inc. and such funds shall be credited to such account for the benefit of such owner. Such funds so deposited (credited) in such escrow account shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner, or such owner accepts such funds, or until such title defect or cloud is cured or removed to the satisfaction of Amvest Oil & Gas, Inc.

(6) Amvest Oil & Gas, Inc., in addition to any other rights afforded such party under the laws of Virginia, shall have a lien on the mineral leasehold estate or rights owned by the other well operators involved herein in the unit covered hereby and upon their shares of the production from the well covered hereby to the extent that costs incurred in the development and operation of the drilling unit involved herein are a charge against such interests. Such liens shall be separable as to each separate well operator and shall remain a lien until all costs incurred in connection with the well have been paid. Upon the failure or refusal of any participating well operator to pay such well operator's proportionate part of any cost incurred hereunder in connection with the well covered hereby, Amvest Oil & Gas, Inc. shall be entitled to receive the share of production from the well accruing



to such defaulting participating well operator's interest in the unit involved herein, or the proceeds from such share, until such proportionate part of such cost has been paid. No part of the production or proceeds accruing to any participating well operator shall be applied toward payment of costs chargeable to any other interest in such unit. If any participating well operator fails or refuses to pay such well operator's proportionate share of the cost incurred hereunder in connection with the well covered hereby within sixty (60) days after rendition of a statement therefore by Amvest Oil & Gas, Inc., the non-defaulting participating well operators, including Amvest Oil & Gas, Inc., shall, upon request by Amvest Oil & Gas, Inc., pay the unpaid amount in the proportion that the interest of each such non-defaulting participating well operator bears to the total interests of all such non-defaulting well operators. In such event, each non-defaulting participating well operator so paying such well operator's share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the lien rights described above.

(7) If the well involved herein has not been commenced as of the date of this Order, Amvest Oil & Gas, Inc. shall commence or cause to be commenced operations on such well within three hundred and sixty-five days (365) days from the date of this Order and in any event, shall continue or cause to be continued operations under this Order with due diligence; otherwise, the provisions thereof shall be inoperative and this Order shall terminate, except for any cash sums becoming payable hereunder, unless the time of

commencement of such operation is extended by an Order of the Board.

(8) Amvest Oil & Gas, Inc. shall cause a certified copy of this Order to be mailed to the last known address of each well operator as listed in this Order.

The relief granted by this Order is to avoid the drilling of unnecessary wells, prevent the various types of waste or oil and gas and protect the correlative rights of all owners with respect to the pools in the drilling unit involved herein.

All members present and in agreement done and executed this

17<sup>th</sup> day of October, 1990.

Benny L. Schumler  
CHAIRMAN

Done and performed this 17<sup>th</sup> day of October, 1990 by order of this Board.

Bryan J. Refner  
Principal Executive to the Staff,  
Oil and Gas Conservation Board



State of Virginia  
County of Washington

On this 17<sup>th</sup> day of October, 1990, personally before me a notary public in and for the State of Virginia appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis  
Notary Public

My Commission expires September 23, 1992.

State of Virginia  
County of Washington

On this 17<sup>th</sup> day of October, 1992, personally before me a notary public in and for the State of Virginia appeared Byron T. Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis  
Notary Public

My Commission expires September 23, 1992.

VIRGINIA: In the Clerk's Office of Wise Circuit Court Oct 25 19 90.  
This deed was presented and upon the annexed Certificate of acknowledgement admitted to  
record at 3:58 PM M. The tax imposed by 58.54 1 of the Code has been paid in the  
amount of \$            Recorded in Deed Book 721 and Page 425  
Weste: C. Gary Rakes, Clerk Terry J. Shaw Deputy Cler

AMVEST Oil & Gas, Inc.  
G-14  
TOTAL ACRES IN WELL UNIT - 112.69

SCALE: 1" = 400'

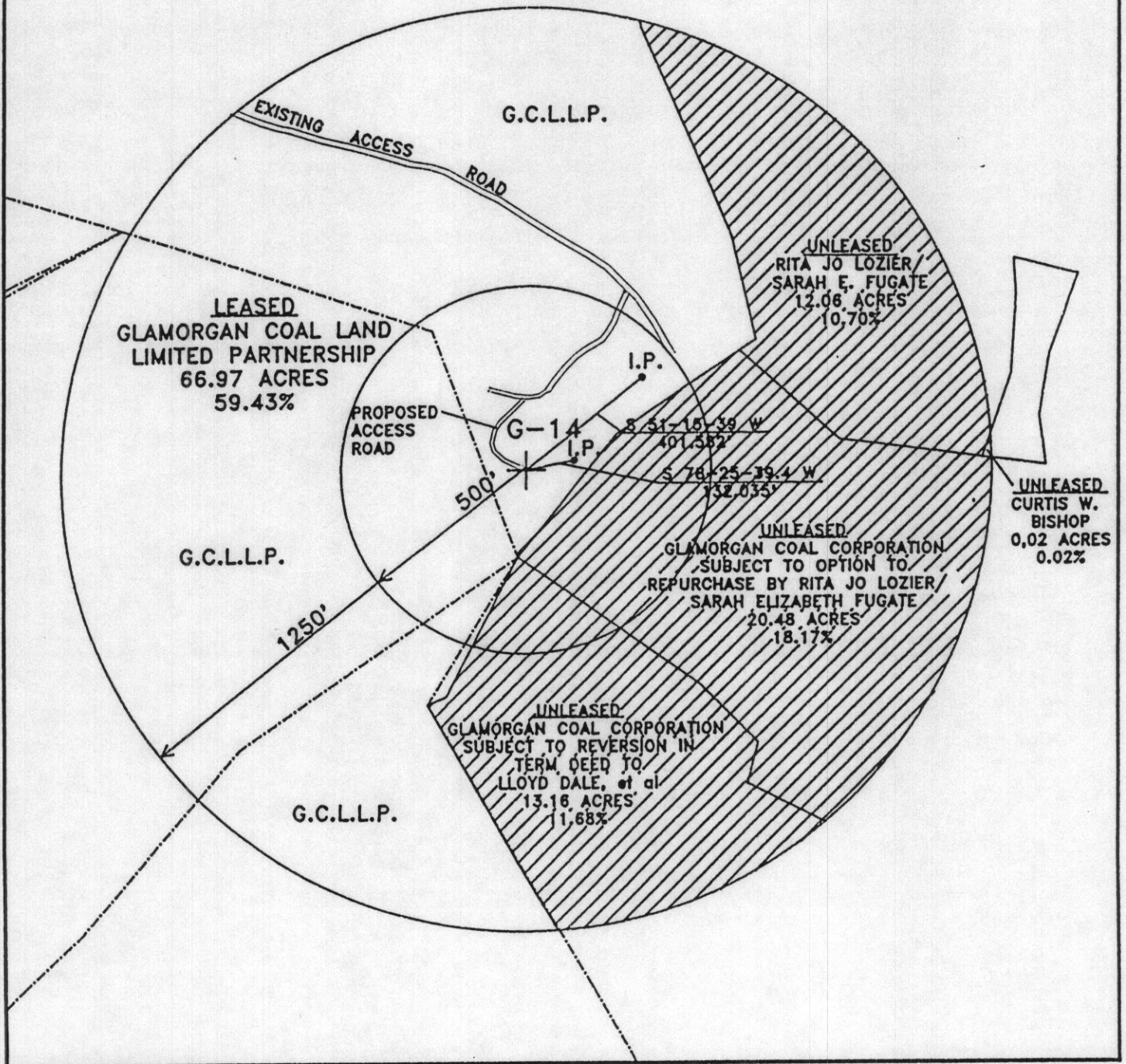


Exhibit "A"